

Caution: DRAFT FORM

This is an advance proof copy of an IRS tax form. It is subject to change and OMB approval before it is officially released. You can check the scheduled release date on our web site (www.irs.gov).

If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

Passive Activity Loss Limitations

OMB No. 1545-1008

2002

Attachment
Sequence No. **88**

► See separate instructions.
► Attach to Form 1040 or Form 1041.

Name(s) shown on return

Identifying number

Part I 2002 Passive Activity Loss

Caution: See the instructions for Worksheets 1, 2, and 3 on page 8 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation see **Active Participation in a Rental Real Estate Activity** on page 3 of the instructions.)

- 1a Activities with net income (enter the amount from Worksheet 1, column (a)).
- 1b Activities with net loss (enter the amount from Worksheet 1, column (b)).
- 1c Prior years unallowed losses (enter the amount from Worksheet 1, column (c)).
- 1d Combine lines 1a, 1b, and 1c

1a		
1b	()
1c	()

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Commercial Revitalization Deductions From Rental Real Estate Activities

- 2a Commercial revitalization deductions from Worksheet 2, column (a)
- 2b Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)
- 2c Add lines 2a and 2b

2a	()
2b	()

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All Other Passive Activities

- 3a Activities with net income (enter the amount from Worksheet 3, column (a)).
- 3b Activities with net loss (enter the amount from Worksheet 3, column (b)).
- 3c Prior years unallowed losses (enter the amount from Worksheet 3, column (c)).
- 3d Combine lines 3a, 3b, and 3c

3a		
3b	()
3c	()

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- 4 Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. **Do not** complete Form 8582. Report the losses on the forms and schedules normally used

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- If line 4 is a loss and:
- Line 1d is a loss, go to Part II.
 - Line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, **do not** complete Part II or III. Instead, go to line 15.

Part II Special Allowance for Rental Real Estate With Active Participation

Note: Enter all numbers in Part II as positive amounts. See page 8 for examples.

- 5 Enter the **smaller** of (a) the loss on line 4 (reduced by the amount on line 2c) or (b) the loss on line 1d
- 6 Enter \$150,000. If married filing separately, see page 8
- 7 Enter modified adjusted gross income, but not less than zero (see page 8)
- Note:** If line 7 is greater than or equal to line 6, skip lines 8 and 9, enter -0- on line 10. Otherwise, go to line 8.
- 8 Subtract line 7 from line 6
- 9 Multiply line 8 by 50% (.5). **Do not** enter more than \$25,000. If married filing separately, see page 9
- 10 Enter the **smaller** of line 5 or line 9
- If line 2c is a loss, go to Part III. Otherwise, go to line 15.

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Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: Enter all numbers in Part III as positive amounts. See page 8 for examples.

- 11 Enter \$25,000. If married filing separately, see instructions.
- 12 Enter the amount, if any, from line 10
- 13 Subtract line 12 from line 11
- 14 Enter the **smaller** of line 2c or line 13.

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Part IV Total Losses Allowed

- 15 Add the income, if any, on lines 1a and 3a and enter the total
- 16 **Total losses allowed from all passive activities for 2002.** Add lines 10, 14, and 15. See page 11 to find out how to report the losses on your tax return

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Caution: The worksheets must be filed with your tax return. Keep a copy for your records.

Worksheet 1—For Form 8582, Lines 1a, 1b, and 1c (See page 8.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	(b) Net loss (line 1b)	(c) Unallowed loss (line 1c)	(d) Gain	(e) Loss
Total. Enter on Form 8582, lines 1a, 1b, and 1c. ▶					

Worksheet 2—For Form 8582, Lines 2a and 2b (See page 8.)

Name of activity	(a) Current year deductions (line 2a)	(b) Prior year unallowed deductions (line 2b)	(c) Overall loss
Total. Enter on Form 8582, lines 2a and 2b ▶			

Worksheet 3—For Form 8582, Lines 3a, 3b, and 3c (See page 8.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 3a)	(b) Net loss (line 3b)	(c) Unallowed loss (line 3c)	(d) Gain	(e) Loss
Total. Enter on Form 8582, lines 3a, 3b, and 3c. ▶					

Worksheet 4—Use this worksheet if an amount is shown on Form 8582, line 10 or 14 (See page 9.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Special allowance	(d) Subtract column (c) from column (a)
Total ▶			1.00		

Worksheet 5—Allocation of Unallowed Losses (See page 9.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
Total ▶			1.00	

Worksheet 6—Allowed Losses (See page 9.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Unallowed loss	(c) Allowed loss
Total ▶				

Worksheet 7—Activities With Losses Reported on Two or More Different Forms or Schedules (See page 10.)

Name of Activity:	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule . ▶					
b Net income from form or schedule ▶					
c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule . ▶					
b Net income from form or schedule ▶					
c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule . ▶					
b Net income from form or schedule ▶					
c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Total ▶			1.00		

